

FARM SECTOR ECONOMIC ANALYSIS



FARM INCOME CONCEPTS

Cash receipts from farm marketings represent gross income from the sales of crops, livestock, and poultry during the calendar year. The value of home consumption of farm products, inter-farm sales of livestock, and crops fed on farms where grown are not included in cash receipts. Cash receipts from marketings of crops are the final product of several estimates: acreage, yields, percentage of total production sold, average price, and changes in inventories. Marketings of livestock and poultry include the sale value of an animal only once, usually at the time when the animal is sold for slaughter or at final disposition.

Final agricultural sector output includes cash receipts as well as the value of home consumption, crop and livestock inventory adjustments, and other farm-related income. Net value added is the sector's contribution to the national economy and is the sum of the income earned by all factors of production, including direct government payments, minus all production expenses and capital consumption. Government payments to farmers are those payments made directly to farm producers in connection with farm programs. Examples of intermediate consumption outlays include purchase and repair of farm equipment and vehicles; purchases of fuel, seed, feed, and livestock; as well as utilities, marketing, transportation, and storage expenses.

Net farm income is the operator's share of income from the agricultural sector's production activities, after deductions for wages paid to hired workers, rent received by nonoperator landlords, and real estate and nonreal estate interest.

ASSETS & DEBTS

The state's farm and ranch assets, at \$11.5 billion in 1999, increased 1.9 percent from the previous year and were 1.4 percent higher than in 1997. Real estate at \$9.1 billion, remained the largest asset category, and was slightly below 1998's \$9.2 billion. The 1999 value of livestock and poultry assets totaled \$1.2 billion, 13 percent greater than in 1998. The value of farm and ranch financial assets increased to \$588 million compared with the value of \$416 million a year earlier. New Mexico farm and ranch debt continued to grow, hitting over \$1.4 billion in 1999. Real estate debt, at \$783 million, increased 7.4 percent, while nonreal estate debt was down slightly to \$619 million. Both the debt-to-equity and debt-to-assets ratios crept up during 1999 to 13.9 and 12.2 respectively. These ratios still reflect a healthy agricultural economy, although they were at the highest level during the last five years.

INCOME

The final agricultural sector output from New Mexico farmers and ranchers rose to \$2.2 billion in 2000, an increase of 2.1 percent over 1999. Crop output decreased 12 percent to \$464.6 million while livestock output increased 8.1 percent to \$1.6 billion. Direct government payments decreased 14 percent to \$79.5 million. Other farm related income totaled \$129.7 million in 2000 compared to \$140.1 million in 1999. After deductions for production expenses, hired labor and other economic factors the state's net farm income totaled \$494.2 million, 21 percent below last year and the lowest since 1996.

PRODUCTION EXPENSES

New Mexico farmers and ranchers paid out \$1.3 billion in 2000 to produce their crops and livestock. Livestock purchases, at \$446 million, was 26 percent greater than the previous year and was the largest expense item. Feed purchases, pesticides, and fuel and oil products showed increases, while seed, fertilizer and lime and electricity were lower than the previous year.

CASH RECEIPTS

Sales of crop and livestock products in 2000 reached a record setting \$2.1 billion for the state's farmers and ranchers. This was 5.9 percent higher than in 1999 and 7.4 percent higher than two years ago. Livestock products, at a record \$1.6 billion, more than offset the 10 percent decline in crop cash receipts to \$473 million. Meat animals posted a whopping 25 percent increase to \$930 million. Cattle and calves receipts, at \$919.3 million accounted for the majority of this increase. Milk receipts, at \$643.8 million remained in second place even though receipts dipped 2.1 percent from 1999. Hay receipts dropped 5.1 percent to \$161.7 million, but remained in third place. Greenhouse nursery receipts moved up to fourth place with \$50.9 million, even though this was a decline of 12 percent from last year. Chile rebounded 54 percent from 1999 and moved to fifth place with \$48.9 million. Pecans dropped two positions to sixth with cash receipts of \$48.0 million. This was a 23 percent drop from the record \$62.4 million in 1999. Onions, at \$32.8 million, and cotton, at \$30.8 million were the other major cash receipt commodities.

GOVERNMENT PAYMENTS

Direct government payments to New Mexico producers totaled \$79.4 million in 2000. This was 14 percent below 1999 payments, but 32 percent greater than in 1998. If ranked with cash receipts government payments would constitute the state's fourth highest cash commodity. Marketing Loss Assistance payments totaled \$18.8 million, Conservation Reserve Program also totaled \$18.8 million, Production Flexibility payments increased to \$17.6 million and Loan Deficiency payments totaled \$11.4 million. These programs accounted for over 80 percent of all governments payments received by producers.

PRICES

Ranchers received considerably higher prices for their cattle during 2000. Both calves and steers and heifers increased 17 percent to \$101.00 per hundredweight and \$85.00 per hundredweight respectively. Cow prices, at \$40.70 per hundredweight rose 6.8 percent. The all beef price hit \$67.80, the highest average price since 1993. Milk prices continued to slide during 2000, ending the year at an average price of only \$12.40 per hundredweight. This was the lowest price since 1995 when the price was \$11.70. Sheep prices increased \$6.00 to \$41.00 per hundredweight, while lamb prices increased \$4.70 to \$79.70 per hundredweight. After declining prices for two years, hay prices rebounded to \$120.00 per ton. Prices for grain corn, wheat, sorghum and upland cotton increased during 2000, while American-Pima cotton decreased. Corn averaged \$2.50 per bushel; wheat averaged \$2.65 per bushel; sorghum averaged \$2.05 per bushel; upland cotton averaged 53.9 cents per pound; American-Pima cotton averaged 80.9 cents per pound. Pecan prices only increased 17 cents to \$1.37 despite a plunge in production of 23 percent.